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MAHATHIR

M'SIA COULD HAVE GONE BANKRUPT WITHOUT CONTROL MEASURES, SAYS DR M

By: Salmy Hashim

WASHINGTON, Feb 22 (Bernama) -- Malaysia would have gone bankrupt if it were to wait for the International Monetary Fund (IMF) to curb currency trading that had devastated key Asian economies, Prime Minister Datuk Seri Dr Mahathir Mohamad said in an interview.

Malaysia's appeals to international institutions to curb currency trading fell on deaf ears and the country had to take matters into its own hands by imposing limited capital and currency controls to prevent the economy from going into a tailspin, he said.

Dr Mahathir said this in an interview with a weekly news magazine called Executive Intelligence Review, which was released here Friday.

"Although we didn't ask for any loans from the IMF, the IMF kept on coming here and telling us what we must do...to stop currency traders we must raise interest rates. We must squeeze credit. We must force companies to go bankrupt by shortening the period for non-performing loans," he said.

"... the IMF had a lot of influence over the then-Minister of Finance [Datuk Seri Anwar Ibrahim] and the Central Bank, they followed IMF conditions; and as a result, the economy went into a tailspin. Our companies and banks were going bankrupt," he told the EIR in an interview conducted in Kuala Lumpur last month.

Dr Mahathir was not as critical towards the World Bank, but seemed disappointed that the Bank linked its loans "with something that is happening internally in Malaysia, and they do this on the basis of their friendship with certain people, and not on the basis of what is right and what is wrong."

The President of the Bank, James Wolfensohn, had openly expressed his sympathies for his friend, Anwar Ibrahim.

Dr Mahathir said Malaysia had nothing against the US as a country, but felt that the US government and the American media had a distorted view of East Asia and its aspirations.

"I have the feeling that the US never really understands the East Asian problem. That is why you find contradictory statements being made by the leaders of the US...you find [President Bill] Clinton saying one thing, and [Vice-President] Al Gore saying another."

He pointed out that the US was the main player in regulating currency trading because they were being operated out of the United States.

The leveraged loans given to hedge funds came from US banks, and the amount is huge -- 20 times, even 200 times!

Dr Mahathir is not hopeful that the rich G-7 countries, which will meet in June, would be able to tackle the global economic woes because both sides were looking at the same problem from different angles.

"What happened to the rich countries is that the instrument that they used for attacking us got into trouble, the LTCM (Long-Term Capital Management hedge fund) got into trouble, and they lost money. And they are interested in stopping their loss of money from their operations. We are interested in protecting ourselves from the results of what they have done."

The Prime Minister was also puzzled with the work being done by the US-coordinated G-22 group of finance ministers and central bank governors, which he felt should be subordinate to APEC.

"It seems strange to me that APEC should ask G-22 to do what APEC should be doing because the one thing that is needed really is a decision

to curb currency trading, and that decision can only be taken by the most powerful economies in the world. And those people are represented in APEC."

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